

UK Property Values Strengthen amid upcoming Brexit Referendum Concerns

MSCI Index reveals 13.1% total return in 2015

London – February 3, 2016 – MSCI Inc. (NYSE: MSCI), a leading provider of investment decision support tools worldwide, including indexes, portfolio risk and performance analytics and ESG research, announced that it has recorded a 13.1% total return in 2015 for UK property as indicated by the **IPD UK Quarterly Property Index**.

At the IPD/IPF Property Investment Seminar yesterday, MSCI revealed that total returns on investment property hit 13.1% year-on-year in Q4 2015, demonstrating another strong year for the UK market. Capital values climbed by a further 7.8% over the course of the year as initial yields compressed to near 2007 peak levels.

Although continued strong demand for UK investment stock was recorded through 2015, the mood was one of caution with the looming BREXIT referendum weighing heavily on investors' minds. A poll, conducted at the seminar, showed that 89% of the audience believed the UK would not leave the EU.

However, in the eventuality of the UK leaving the EU, 78% of the audience thought it would have an adverse effect on the property market. Such a market decline would have a significant knock-on effect on the performance of pension and life funds, where returns have already been seen to moderate since 2014.

Despite a moderation in performance overall, Offices retook the lead as the top performing market sector, returning 3.6% in the last quarter to close out 2015 with a 17.6% year-on-year total return. The Retail sector remained a market laggard returning 9%, whereas Industrials performed admirably with a return of 16.5% for the year.

Results for the final quarter show signs of further price stabilisation while rental values continues to improve as business confidence picks up across the UK. Yield impact, a proxy for investor sentiment, added 5.0% to the annual returns, with rental value growth adding 4%.

Malcolm Hunt, Executive Director, MSCI, said "The 2015 unleveraged UK direct real estate return of 13.1% represented a third year of double digit returns for UK real estate, out-performing the other mainstream asset classes over 1, 3 and 5 years to December 2015 and narrowing in on bonds over a 10-year period.

"More recently, uncertainty surrounding emerging markets and earning concerns in developed markets seem to have shaken the equity markets but investment is largely about relative decisions. This may have helped maintain investors' interest in UK real estate despite the strong pricing position. "

Christopher Fry, Director, LaSalle Investment Management, said "Whilst low interest rates continue to support capital inflows to the property market and values, the 'triple-high' of capital flows, prices, and returns faces some risks due to the denominator effect on real estate allocations given recent large movements in stock market values and sovereign wealth funds showing signs of repatriating capital."

About MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research.

Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 97 of the top 100 largest asset managers, based upon P&I data as of December 2014 and MSCI client data as of June 2015.

For more information, visit us at www.msci.com.

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